

Message Text

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PAGE 01 PARIS 37596 271621Z
ACTION SP-02

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USOECD

FOR S/P

E.O.11652: NA
TAGS: A/PUB, ETRD
SUBJECT: FEBRUARY ISSUE OF OPEN FORUM

REF: STATE 289630

1. ARTICLE ENTITLED "BEYOND THE OPEN TRADING SYSTEM:
FOR AN ACTIVE APPROACH TO STRUCTURAL ADJUSTMENT" IS
BEING SUBMITTED BY THOMAS H. GEWECKE, TRADE ADVISER, US
MISSION TO THE OECD. TEXT BEING SENT DEC 27 VIA INTER-
NATIONAL AIR MAIL TO S/P, RM 7419 IN DEPARTMENT.

2. SUMMARY OF PAPER: WITH LAGGING ECONOMIC GROWTH AND
THE WORLD TRADING SYSTEM UNDER SERIOUS STRAIN, IT HAS
BEEN NO SMALL ACCOMPLISHMENT FOR THE CARTER ADMINISTRA-
TION DURING ITS FIRST YEAR TO GET THE MTN BACK ON THE
TRACKS AND KEEP US PROTECTIONIST ACTIONS TO A MINIMUM.
HOWEVER, LONGER RUN PRESSURES FOR STRUCTURAL CHANGE,
BOTH WITHIN THE US/EC/JAPAN POWER COMPLEX AND BETWEEN
THE INDUSTRIALIZED WEST AND THE SOUTH AND EAST, CALL
INTO QUESTION THE VIABILITY OF THE OPEN TRADING SYSTEM.
PESSIMISM ABOUT THE FUTURE OF THIS SYSTEM FEEDS BACK
ADVERSELY ON THE CLIMATE FOR INVESTMENT AND GROWTH,
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WHILE FAILURE TO MOVE RESOURCES OUT OF LESS PRODUCTIVE
SECTORS LOWERS OUR ECONOMY'S GROWTH POTENTIAL. PROPOS-
ALS TO MOVE TOWARD COLLECTIVELY MANAGED TRADE, WITH
SECTORAL PRICE FIXING AND MARKET AND CAPACITY SHARING
ARRANGEMENTS, ARE ATTRACTIVE TO MANY, BUT RISK GETTING
US INTO A STILL DEEPER HOLE.

3. WE SHOULD THEREFORE FACE STRUCTURAL ADJUSTMENT PROBLEMS FOR WHAT THEY ARE AND ADOPT POLICIES TO ENCOURAGE CHANGE IN OUR ECONOMY RATHER THAN TO RESTRICT TRADE. OUR PUBLIC POSITION SHOULD RECOGNIZE THE NATIONAL INTEREST IN DOING THIS AND IN ACCEPTING INCREASING IMPORTS FROM THE SOUTH AND EAST. IT SHOULD ALSO MAKE CLEAR THE ROLE LABOR AND MANAGEMENT MUST PLAY TO MAKE OUR ECONOMIES MORE FLEXIBLE. TO ENSURE EQUITABLE BURDEN SHARING AND MAXIMUM EFFECT, WE SHOULD SEEK A JOINT COMMITMENT BY THE DEVELOPED COUNTRIES ALONG THESE LINES, AND BEGIN A COLLECTIVE EFFORT TO ANALYZE THE DIMENSIONS OF THE ADJUSTMENT PROBLEMS WE FACE AND DEVELOP THE POLICY OPTIONS TO BE PREFERRED. IT WOULD ALSO MAKE SENSE TO SEEK SOME CONTRIBUTION, IN THE FORM OF MORE SENSIBLE POLICIES ON THEIR PART, FROM THE MAIN BENEFICIARIES OF SUCH AN APPROACH, THE SOUTH AND EAST.
KATZ

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